

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF HILCORP ENERGY COMPANY FOR
AN EXCEPTION TO THE WELL DENSITY
REQUIREMENTS OF THE SPECIAL RULES AND
REGULATIONS FOR THE BASIN-DAKOTA GAS POOL,
RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 25938

HILCORP’S PREHEARING STATEMENT

Hilcorp Energy Company, (“Hilcorp”) (OGRID No. 372171), through its undersigned counsel, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Hilcorp Energy Company

ATTORNEYS

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STATEMENT OF THE CASE

The well density requirements in the Special Rules and Regulations of the Basin-Dakota Gas Pool currently state as follows:

II. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): *A standard GPU in the Basin-Dakota Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.*

B. Well density:

(1) Up to four (4) wells may be drilled on a GPU, as follows:

- (a) *the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Dakota well;*
- (b) *the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Dakota well and within a quarter section of the GPU not containing more than one (1) Dakota well;*
- (c) *the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Dakota well and within a quarter section of the GPU not containing more than one (1) Dakota well;*
- (d) *at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;*
- (e) *no more than two wells shall be located within either quarter section in a GPU; and*
- (f) *any deviation from the above-described well density requirements shall be authorized only after hearing.*

In **Case No. 25938**, Hilcorp seeks approval under Rule II.B for the Division to enter an order granting an exception to the well density requirements to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 28-7 Unit 233N Well** (API No. 30-039-PENDING) within the N/2 of Section 14, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, permitting three wells to produce within the NW/4 of the spacing unit, and produce five wells within the standard 320-acre, more or less, N/2 spacing and proration.

Approval of this application will not impair the correlative rights of any other interest owner in the Basin-Dakota Gas Pool and will afford Hilcorp the opportunity to produce incremental reserves from this spacing unit, avoiding waste. Approval will also be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Gatewood Brown, Landman	Self-Affirmed Statement	Approx. 2
Marcus Hill, Reservoir Engineer	Self-Affirmed Statement	Approx. 5

PROCEDURAL MATTERS

Hilcorp intends to present this case by self-affirmed statement if there is no opposition at the time of hearing.

Respectfully submitted,

HOLLAND & HART LLP



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QUESTIONS

Action 558412

QUESTIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 558412
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>